

# GLOBAL GREENSBORO:

## EXECUTIVE SUMMARY

Greensboro is a paradox. In the late 1960s, Greensboro's per capita income—the standard metric for economic well-being—made it the wealthiest of the large metropolitan areas in the state of North Carolina and placed it among the top one-third of all U.S. metropolitan areas; as late as 1998, the region ranked in the top one-quarter of U.S. metropolitan areas in per capita income. Over the past 15 years, however, the City of Greensboro and the larger region have suffered slow job growth, slow income growth, and a huge spike in resident poverty, which has increased almost 80 percent since 2000. In fact, it is difficult to overstate how far the Greensboro regional economy has declined. Relative to North Carolina's other cities and metropolitan areas, the speed and length of decline in Greensboro has been stunning.

Two sets of data capture this. As shown in Figure 1, through the 1990s and 2000s, job growth in the region stalled. Since 1990, the Greensboro region has added only 9 percent to its job base, well below the North Carolina average of 26 percent and the national average of 24 percent. Greensboro also fell way behind other large N.C. regions; in this period, job growth in the Charlotte, Durham, and Raleigh metros was 69 percent, 42 percent and 96 percent, respectively. Perhaps most troubling is the absolute decline in regional jobs in the 2003-2013 period, when Greensboro lost 3 percent of its job base while the State of North Carolina had employment growth of 6 percent.

**FIGURE 1. JOB GROWTH IN NORTH CAROLINA MSAS, 1990-2013**

| <b>GEOGRAPHY:</b>       | <b>1990-2013</b> | <b>1990-2003</b> | <b>2003-2013</b> |
|-------------------------|------------------|------------------|------------------|
| <b>U.S.</b>             | <b>24%</b>       | <b>18%</b>       | <b>5%</b>        |
| <b>North Carolina</b>   | <b>26%</b>       | <b>19%</b>       | <b>6%</b>        |
| <b>Greensboro (MSA)</b> | <b>9%</b>        | <b>13%</b>       | <b>-3%</b>       |
| <b>Durham (MSA)</b>     | <b>42%</b>       | <b>31%</b>       | <b>9%</b>        |
| <b>Charlotte (MSA)</b>  | <b>69%</b>       | <b>27%</b>       | <b>33%</b>       |
| <b>Raleigh (MSA)</b>    | <b>96%</b>       | <b>54%</b>       | <b>27%</b>       |

Greensboro's anemic job growth and continued reliance on lower-wage industries have undermined average incomes in the region. By 2012, Greensboro's per capita income ranked in the bottom half of U.S. regions, a fact that is more staggering given the strength of the economy in earlier decades when it ranked in the top one-third (1970) and top one-quarter (1988) of per capita incomes nationally. (See Figure 2.) In fact, since 1970, only 60 of 366 U.S. regions have had a larger decline in per capita income rank than Greensboro and most of these are in states like Michigan and Ohio, where the decimation of traditional manufacturing has driven job and income decline across all metro areas.

**FIGURE 2. PER CAPITA INCOME RANK**

| <b>PER CAPITAL INCOME:</b> <small>RANKS AMONG ALL US METROS</small> |                   |                              |
|---|-------------------|------------------------------|
| <b>YEAR</b>   | <b>GREENSBORO</b> | <b>LARGE NC METROS (AVG)</b> |
| <b>1970:</b>  | <b>67%</b>        | <b>48%</b>                   |
| <b>1988:</b>  | <b>78%</b>        | <b>84%</b>                   |
| <b>2012:</b>  | <b>43%</b>        | <b>72%</b>                   |

How do we explain Greensboro's declining economic performance? The project team believes that poor economic outcomes of the city and region do not reflect the underlying economic capacity of the local economy. In fact, we believe there is a significant gap between the city's assets, which are relatively strong, and its performance, which has been relatively weak. This gap, we believe, is due to the unique role of Greensboro in the global economy. In terms of trade and foreign investment, Greensboro is one of the most globalized regions in the U.S. However, unlike most U.S. regions with strong ties to the global economy, the Greensboro economy has yet to develop deep economic specializations or strong capabilities in higher value-added, higher-wage functions like research and development, product design, and orchestration of regional and global supply chains. In the absence of these capabilities, the Greensboro economy will have lower growth and higher volatility. Unfortunately, traditional economic and business development services generally don't offer the types of supports needed to grow local capabilities within the context of global value chains.

Our proposal, Global Greensboro, aims to fill that gap by building on the city's and region's assets to create distinct local economic specializations that are valued and traded both nationally and globally. Building on the area's significant foreign investment and export base, strong universities, revitalized

airport and logistics capabilities, and historic strengths in manufacturing, the project will identify and promote economic specializations that support more and higher value activities, and generate job and wage growth. This approach is consistent with the city's strategic plan, which calls for targeted cluster focus and better utilization of the city's strengths in education. Global Greensboro complements those initiatives by strategically building on Greensboro's broad but sometimes shallow ties to global markets to create ladders to higher-growth, higher-wage opportunities. If successful, this approach will fundamentally reposition Greensboro in the global economy, generating short- and long-term employment and income growth opportunities for a wide range of residents of the city and region.

The length and depth of economic decline in Greensboro suggest that nothing short of a repositioning within the national and global economies will return Greensboro to its prosperous past. Global Greensboro aims to leverage the city's strong ties to global value chains to create economic specializations based on a broader set of skills and functions than the city and region have developed or utilized in the past. The initiative is built on the recognition that Greensboro's current weaknesses—an overly diversified economy with too much reliance on low-wage occupations and functions in global value chains—provide the material for development of strong economic specializations by augmenting the local economy's historic strengths in production with strengthened capabilities in higher value-added functions like research and development, product design, and orchestration of regional and global supply chains. To achieve this, Global Greensboro is organized into three components: strategic, programmatic, and physical. (Each is described in the full proposal.)

In our proposed framework, Global Greensboro marks the adoption of a vision of a Greensboro economy that competes successfully in global markets and has the assets and institutional supports to adapt as global economic conditions change and old opportunities disappear and new ones appear. We believe that Global Greensboro can provide the unifying brand for the city, pulling together a broad range of efforts from the strategic economic development plan to calls for strengthening the brand of the city's downtown.<sup>1</sup> In addition, by identifying and institutionalizing capabilities and generating a process to identify and respond to new opportunities, Greensboro can practice the type of adaptive experimentation and upgrading that defines the trajectories of successful cities and regions.

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<sup>1</sup> HR&A, et al., Greensboro Downtown Economic Development Strategy: Briefing Book, August 2010

The project team is led by **MASS ECONOMICS**, a research and consulting firm that specializes in urban economic growth and equity. Mass Economics works with the public, private, and philanthropic sectors to revitalize slow-growing urban economies across the U.S. The firm's principal, Teresa Lynch, led the economic development strategy for Detroit Future City, an award-winning project that aligned the city's land use, community, and economic development strategies. Mass Economics is currently managing the development of an innovation district strategy for the City of Detroit and is working with Brookings Institution to develop a data template for innovation districts across the United States.

Other team members include **JUMPSTART INC.**, an expert in helping communities generate significant new jobs and economic impact by helping them understand the smartest ways to work with and invest in local small businesses and startups. JumpStart's assistance expands beyond strategy to implementation, and helps extract tangible outcomes that can be objectively measured. Over the course of the last 10 years and more than 17 regional projects, JumpStart has gained a wealth of insight on how to enable sustainable collaboration amongst regional service providers so they can drive better outcomes.

Other team members include **Amy Glasmeier**, professor of economic geography and regional planning at MIT. She runs LRISA, the lab on Regional Innovation and Spatial Analysis, in the Department of Urban Studies and Planning. Amy is a founding editor of the Cambridge Journal of Regions, Economy, Society, an off-shoot of the Cambridge Journal of Economics. She serves on numerous journal editorial boards and organizations. Her research focuses on the spatial interactions of economic actors and structures including firms, industries, institutions and the state in the provision of economic opportunity for communities and individuals. She is currently writing a textbook on the Economic Geography of the Global Energy Economy where she is capturing the interplay among resources, technology, state-led development trajectories and the challenges of the resource curse, path dependence and technological lock-in. Amy holds a professional Masters and PhD in Regional Planning from UC Berkeley.

**Elizabeth B. Reynolds** works on issues related to systems of innovation, regional economic development and industrial competitiveness. She has focused in particular on the theory and practice of cluster development and regional innovation systems, and advises several organizations in this area. Her current research focuses on the pathways that U.S. entrepreneurial firms take in scaling production-related technologies, as well as advanced manufacturing, including the globalization of the biomanufacturing industry. Liz is a lecturer in Economic Development and Innovation at MIT and was one of the co-leaders of the White House Advanced Manufacturing Partnership (AMP 2.0) Scale Up Committee in 2013-14. She

is a member of the Massachusetts Advanced Manufacturing Collaborative Executive Committee. Liz holds a M.Sc. from the University of Montreal in Economics and a Ph.D. from MIT in Urban and Regional Studies.

**Timothy J. Sturgeon** is a Senior Research Affiliate at the Industrial Performance Center (IPC) at MIT. He is currently Visiting Professor in the Department of Economics, Ca' Foscari University of Venice. His research focuses on the processes of global integration, with an emphasis on offshoring and outsourcing practices in the electronics, automotive, and services industries. He has made significant contributions to Global Value Chain (GVC) theory, and is working to improve the metrics and methods available for globalization research. His work explores the implications — for employment, industrial development, technological learning, and policy — of deepening business linkages between industrialized and developing countries. Tim works actively with policymakers in international development agencies, industrialized countries, and developing countries to disseminate his insights and collaborate on actionable, effective policy responses to global integration.

**Carlos Vela-Martinez** is President of Venture Café Foundation, the not-for-profit sister organization of the Cambridge Innovation Center. Carlos has 15 years of experience as a scholar, thought leader, practitioner, and public advocate working at the intersection of innovation and economic development. The backbone of his professional trajectory has been an interest in higher education, university-industry partnerships, and the role of universities in local economies and the formation and transformation of industries. Carlos was part of the Local Innovation Systems at Massachusetts Institute of Technology (MIT); he wrote his dissertation on the role of the university in economic development.

Global Greensboro will provide an organizing framework that will spur development in strong and growing areas like life sciences, but should also give new life to traditional industries like furniture. Global Greensboro will also be instrumental in strengthening existing and creating new set of skills around brand development, design, research, and management to augment the region's strength in production and goods movement and export-oriented services, production, and logistics. These new capabilities will allow Greensboro firms and workers to increase their participation in high value segments of global value chains and adapt more readily to technological, organizational, and market shifts in the national and global economies. As a result, the long-term trajectory for the Greensboro economy will shift towards higher growth and lower volatility, and in the process, create jobs, income, and opportunities for the city and its residents.